

**DEPARTMENT OF LOCAL AFFAIRS  
FY 2008-09 JOINT BUDGET COMMITTEE HEARING**

Departmental Goals and Objectives

**1. What are your department's principal goals and objectives? What are the metrics by which you measure success or failure?**

The overall mission of the Department of Local Affairs is to “Strengthen Colorado Communities.” To that end, the Department is responsible for building community and local government capacity by providing training, technical, and financial assistance to localities. The Department achieves this through five divisions: the Division of Property Taxation, the Board of Assessment Appeals, the Division of Housing, the Division of Local Government, and the Division of Emergency Management.

The Division of Property Taxation’s objective is to coordinate and administer the implementation of property tax law throughout the state’s 64 counties. Colorado citizens depend upon property tax revenues to support important public services, so the Division of Property Taxation strives for equitable and consistent application of property tax laws with up-to-date publications, education/training opportunities and accessible technical expertise.

One of the performance measures of the Division of Property Taxation is to provide on-site, telephone and e-mail assistance to help Colorado county assessors fulfill their operational objectives. To fulfill this responsibility, the Division will field approximately 6,000 contacts by either telephone or email during FY 2007-08. This equates to approximately 80 days of customer service. This performance goal is increased slightly from the previous fiscal year in which 5,586 telephone calls or emails were fielded which equated to 76 days of service.

The Board of Assessment Appeals is a quasi-judicial body whose objective is to conduct fair and impartial hearings on real and personal property tax protests. Board members are required to be licensed appraisers. Taxpayers whose claims that are adjudicated by the Board of Assessment Appeals avoid expenses incurred when they seek remedies from District Court. By the same token, hearings conducted by the Board of Assessment Appeals reduce the workload of the state judicial system. The Board of Assessment Appeals is working to reduce the backlog of unscheduled dockets at the end of each two-year cycle to 400 by fiscal year 2008-09. These improvements are intended to improve customer satisfaction.

The Division of Housing’s objective will focus on the development of needs assessments and community/regional strategic plans for affordable housing throughout the state. This focus will assist in resource allocation and local investment in options that address needs that respect the role of the market in housing alternatives for Coloradans. The Division of Housing will continue to provide leadership as a convener of housing stakeholders in Colorado. The Division of Housing is striving to annually reduce the number of rent

burdened households in the state by 1% or 480 households in fiscal year 2007-08 to a total number of 47,484 households. Families who pay more than 30 percent of their income for housing are considered rent burdened and may have difficulty affording other necessities such as food, clothing, transportation and medical care.

The Division of Local Government provides technical assistance to local governments in such areas as budget development, purchasing, demographics, land use planning, and the statutory requirements of elected officials. In addition, this Division distributes monies through programs like the Conservation Trust Fund and Community Services Block Grant programs, and through competitive grants programs like limited gaming program and impact grants program. The objective of this Division is: "With stakeholders, create a strategic direction for the Division of Local Government to support livable communities throughout Colorado." In order to pursue this objective, the Division plans to implement new metrics for severance tax and federal mineral lease funds to assist in the distribution of local government grant assistance.

The Division of Emergency Management provides assistance to local governments in emergency preparedness and response and manages the Homeland Security Grants program. The objective of this Division is: "With stakeholders, create a strategic direction for the Division of Emergency Management that adds value to local response to emergency situations, using an all-hazards approach." In terms of non-disaster related events, this Division provides technical and grant support and assistance to local communities in emergency management, emergency services and other related areas, by the use of outreach, training, exercises, monitoring and technical assistance visits. The Division of Emergency Management anticipates that they will respond to a jurisdiction's request for technical or grant assistance within five business days, 100% of the time.

**2. Given the change in the Administration, have there been any changes to your department's principal goals and objectives since last year?**

The Division of Housing has undergone strategic planning and developed a proactive model to help address the escalating housing foreclosure issue facing the state. The Division of Local Government (DLG) is making changes to the Impact Grants Programs to incorporate recommendations from the 2007 Interim Committee on Allocation of Severance Tax and Federal Mineral Lease Revenues and its workgroup and from the Office of the State Auditor. The Department is proposing a new program "Livability Counts" as a broad based community model to address sustainability on the local level. The Division of Emergency Management has invigorated the Senior Advisory Committee to set strong strategic Homeland Security priorities and funding strategies.

**3. What progress did you make during the last year in achieving your goals?**

The Board of Assessment Appeals completed implementation of a program to reduce the total number of hearings required to address the caseload and therefore to reduce the

Board's backlog of unheard dockets. This program "matches" appeals filed on the same property for the two separate years of an appeal cycle and schedules a single hearing for both dockets. This process has reduced the number of hearings scheduled and the Board's backlog by almost 400 cases. It has also reduced the time and expense for both petitioners and counties.

The impact grants programs appropriated within the Division of Local Government have new metrics developed for use in the distribution of funds. New grants processes and requirements are being designed.

The Division of Housing has supported the State Housing Board role in providing leadership and policy direction. Board members are experienced and well educated participants in the fields of nonprofit housing development, state and local government, mortgage lending, philanthropy, real estate, law and related professions. The Board established three new policies: (1) energy efficiency; (2) the frequency of updates to benchmarks for costs, ranges and reserves; and, (3) the conditions for awarding affordable housing loans or grants to non-profit and for-profit organizations. In addition, the Board reviewed and made minor updates to existing policies on affordability periods and visit-ability of the affordable housing projects that the Division of Housing funds.

**4. How is the additional money provided to your department in FY 2007-08 being used to achieve your goals? What improvements is your department making in its outputs?**

.2 FTE Waste Tire  
\$732,565

The additional spending authority came from HB07-1288. This bill has allowed the Department to provide additional clean-up grants and meet the increased workload requirements. With the addition of the 0.2 FTE, the Department is able to provide better customer service by expanding direct assistance to local applicants and grantees. Such services include assistance with completing the application, referrals to previous grantees for provider references and information on program resources.

\$123,324 Housing Grants

These General Fund dollars were specifically used to support the creation of seventeen (17) housing units for chronically homeless, extremely low-income seniors (30% of Area Median Income or less) in the downtown Denver area through a unique leasing arrangement with a private sector property owner.

\$5,500,000 CTF

These funds are a formulaic distribution to local governments with no additional programmatic funds coming to the Department.

\$242,810 Gaming Grants      The additional grant funding is available to local governments for infrastructure and public safety projects.

**5. Please identify your department's three most effective programs and your three least effective programs. Explain why you identified them as such. Explain how your most effective programs further the department's goals.**

The Department of Local Affairs' three most effective programs are: Board of Assessment Appeals, Division of Property Taxation and Affordable Housing.

Goal #1) Ensure equity for taxpayers and compliance with constitutional and statutory revenue limitations and budgetary practices of local governments in Colorado.

The Board of Assessment Appeals hears appeals by property taxpayers of decisions of county boards of equalization, county boards of commissioners, and the property tax administrator on valuation of real and personal property, abatement of taxes, exemption or state assessed properties. Approximately 3,100 cases have been appealed to the Board in each of the last 2 biennial reappraisal cycles. Providing an impartial forum for review of property valuation helps to ensure property valuation equity across the state.

The Division of Property Taxation provides training, regulation, coordination, and administers the implementation of property tax law throughout the sixty-four counties. In addition to extensive training of county assessors, assessors' staff, and other county officials by the Division of Property Taxation, statewide review and analysis of all taxable property values is necessary to determine the appropriate assessment ratio in accordance with the constitution. They also provide timely and uniform valuation of state assessed company operations in Colorado; review applications for initial exemptions and monitor continuing exemptions that are granted for properties owned and used for religious purposes, strictly charitable purposes, and private schools statewide.

Goal #3) In an efficient and timely manner, help local communities achieve their public-purpose goals by providing technical assistance services along with formula-based and grant revenues from state and federal government sources.

The Division of Housing (DOH) encourages the production and preservation of adequate, safe and sanitary housing for lower income households that cannot afford housing supplied by traditional private market approaches. The DOH has a production-oriented approach to affordable housing development through its grant approval processes. Careful analysis of Colorado's population, wages, and housing supply has shaped the Division of Housing's priorities for investment in affordable housing efforts

statewide. The DOH underwriting process focuses on ways to reduce costs, leverage other funds, and serve a range of household types and incomes in all geographic areas of the state. DOH also regulates and provides technical assistance for the manufactured housing industry from the manufacturing of units in the plant, to registering dealers, to inspecting the completed unit and the installation of units on-site.

The three least effective programs that the Department has include: the Moffat Tunnel, Enterprise Zone program and Workforce Development. These three programs are least effective at meeting the Department's overall mission which is "Strengthening Colorado Communities."

**6. Are there programs that your department is required to perform that do not further your department's goals or have outlived their usefulness? If so, what are they and by who are they required? Why don't they further your department's goals?**

The Department of Local Affairs is required to administer the Moffat Tunnel Improvement District and this function is not related to the overall mission of the Department. In addition, the Department oversees a portion of the Work Force Development Council operation and a portion of the Enterprise Zones program. These last two programs are largely operated by other agencies of the State.

The Department of Local Affairs has been legislatively charged with the administration of the Moffat Tunnel Improvement District. In C.R.S. 32-8-124.3, the Department has "the power to enter into contracts with persons and with private and public corporations for the right to use the tunnel for the transmission of power, for telephone and other communication lines, for railroads and railway purposes, and for any other purpose to which the same may be adapted....." The Moffat Tunnel is, in essence, operated as a public right-of-way for telecommunication needs and for rail transportation needs. This is the only special district that the Department operates and is also the only public right-of-way the Department oversees. Other agencies may be more aligned to administer these types of functions.

C.R.S 24-46.3-101 established the Work Force Development Council and the Office of Work Force Development within the Department of Local Affairs. The Work Force Development Council and the Office of Work Force Development have a strong partnership with the Department of Labor and Employment in operation of the "one-stop career centers" because the Council establishes the policy. The overall function might be more effective if the Council and the Office of Work Force Development were co-located at the Department of Labor and Employment.

In regard to Enterprise Zones, C.R.S. 39-30-103 provides that the Executive Director of the Department of Local Affairs is the recipient of applications from local governments of a development plan. However, effective January 1, 1997, all decisions concerning the designation or termination of enterprise zones or portions thereof are made by the Colorado Economic Development Commission. The Department of Local Affairs activities and

involvement in the overall administration and operation of Enterprise Zones are tangential to that of the Office of Economic Development.

#### Costs and Savings from Complying with Specific Bills and Orders

**7. What are your department's anticipated costs, anticipated savings, and potential benefits from complying with Executive Order D 028 07, Authorizing Partnership Agreements with State Employees?**

The administration of the partnership agreement will not require the expenditure of any additional state dollars. Departments will continue to spend time supporting state employees, and as has been the case in the past, this support will be absorbed into existing budgets.

**8. Provide an estimate of the costs your department will incur in FY 2007-08 in carrying out the provisions of H.B. 06S-1023. Provide an estimate of your department's savings in FY 2007-08 as a result of not providing services to individuals who are in the country illegally.**

The Department has established a policy and the appropriate forms to verify the lawful presence of any individuals participating in affected programs. Implementation has not been problematic because most of the program participants are legal entities. There are no additional costs anticipated in FY2007-08. There are no savings anticipated in FY2007-08.

#### Decision Item Priority #1

**9. Please describe the proposed “Livability Counts” pilot program, and how the requested \$100,000 General Fund would be used.**

The “Livability Counts Initiative” is a new collaborative approach to enhance the vitality of Colorado’s communities. Livability Counts is based on the Oregon Solutions model, an approach that was begun in 2001 by Governor John Kitzhaber (D) and redefined/reshaped by current Governor Ted Kulongoski (R). The process identifies a particular community problem that needs to be solved and then pulls together resources from the governmental, community, non-profit and private sectors to find a solution. The Department has started to develop a framework specific to Colorado that targets solutions to community sustainability challenges. The Livability Counts Initiative seeks to enhance the local quality of life infrastructure defined as environmental quality, transportation options, economic opportunity, housing availability and stronger schools.

**10. Would any of the requested funds be used for consulting services?**

If the local project participants determined that there was a need for some specialized service – for instance, engineering, environmental or architecture services – which could not

be obtained without a contract, then those kinds of specialized services would be eligible to be paid from funds granted by the state. None of the requested funds will be used for project management or generic consulting services.

**11. How would the proposed pilot program relate to other grant programs being administered by the Department?**

This program will initiate a new way to address the multiplicity of needs in local communities. Initially, it will be a focused, pilot program to allow all parties to evaluate the program's effectiveness and work out issues that arise. The General Fund request would allow for the widest possible use of these funds for community problem-solving to increase livability. The longer term concept would be to integrate other programs, to every possible extent, into this process. Rather than fragmented state investment in Colorado communities, the Livability Counts framework would allow a holistic approach to addressing the needs of Colorado's localities. Within four years, the Department will include the programs and expertise of other state agencies as well as local governments and private sector partners to strengthen the ability to address a multitude of projects and needs throughout the state. The framework will help us leverage our scarce state resources and solve important community problems.

**12. Why is the Department requesting General Fund moneys for the proposed pilot program, rather than using other available sources of funds (e.g., severance tax revenues, federal mineral lease revenues, federal Community Development Block Grant funds)?**

At this point, the other grant programs in the Department are required, by federal or state law, to only address eligible projects. The General Funds requested provide the opportunity to address projects, or elements of projects, for which other funds are ineligible.

**13. What type of measurable outcome can we expect from expenditure of the \$100,000 General Fund requested?**

The Department will evaluate applications from communities to determine that they meet three or more of the 10 factors identified to address livability issues in communities. The ten factors are:

1. A resilient economy that provides a diversity of good economic opportunities for all citizens.
2. Workers whose knowledge and skills are globally competitive, and supported by life-long education.
3. Independent and productive citizens.
4. Youth who are fully supported by strong families and communities.
5. Downtown and main streets are vital and active.
6. Efficient development that saves infrastructure investments and natural resources.
7. Available and quality affordable housing.

8. Healthy urban and rural watersheds and species abundance and diversity.
9. Clean and sufficient water for human and natural use.
10. Efficient use and reuse of resources, and elimination of harmful toxins in the environment.

Participation in the program will be based on a community's commitment to the project, the number of factors addressed by the project, and the long term sustainability of the project. After completion of each project, the Department will determine the effectiveness by monitoring the ability to address the livability factors and the ability of the community to sustain the project for more than 2 years.

#### Mineral and Energy Impact Assistance Program

**14. Please describe the Department's current approach to evaluating the social or economic impacts of mineral development when prioritizing and awarding grants. For example, does the Department consider communities in which coal-fired boilers are operating "impacted" and thus eligible for grants? In addition, please describe any anticipated changes to your approach to evaluating these impacts.**

The statutes for the Local Government Severance Tax Fund and the Local Government Mineral Impact Fund specify that the funds be "distributed to those political subdivisions socially or economically impacted by the development, processing, or energy conversion of minerals and mineral fuels". Coal fired power plants are clearly covered under "Energy conversion" and where coal fired boilers exist, the department has provided \$8.6 million over the last five years to local governments. A number of communities have received funds on the basis of impacts from power plants, gas processing plants, pipelines and railroads related to the processing and conversion of minerals on the way to consumption.

In the process of improving our communications, transparency and accountability to the broad community of stakeholders in these programs, we have initiated closer coordination with other state agencies involved in the planning and regulation of the processing, conversion and transportation of minerals. For example: the Department has recommended and the 2007 Interim Committee on Allocation of Severance Tax and Federal Mineral Lease Revenues has endorsed, the inclusion of a representative of the Department of Public Health and Environment on our advisory board.

**15. Please discuss the Department's current practices with respect to requiring a local financial match for a state grant. In addition, please describe any anticipated changes in local match requirements.**

The local match criteria serves two fundamental purposes:

- 1) To multiply or leverage the support provided by the state's impact assistance funds; and
- 2) To demonstrate local government commitment and priority.



Through departmental staff involvement with local governments, we have an understanding of the financial condition of the applicants, the complex mix of local, regional and state priorities around a project, and the likely success of the proposal. Active discussions are underway with department staff and with Energy and Mineral Impact Advisory Committee to evaluate the match guidelines and new guidelines will be issued by June 2008.

**16. Please discuss how the Department is responding to the recommendations included the October 2007 State Auditor's performance audit concerning the Mineral and Energy Impact Grant Program. Specifically, identify those areas where you anticipate needing to either request additional resources or re-direct existing resources in order to fully implement the recommendations. If applicable, please discuss the source of funding you anticipate requesting.**

The reports of the State Auditor have been very timely and useful in our efforts to improve the performance of this local government financing program. With the large increase in oil and gas production in Colorado we have seen a 300% increase in our project workload over the last five years. There has been no corresponding increase in staffing. To some degree the many issues raised in the Auditor's reports reflect the results of this major increase in workload. To better administer these funds, to plan for their use on a pro-active basis in coordination with state, local and federal agencies, to increase reporting and accountability, and to conduct post-project evaluations, we may need to consider staff resources as part of the solution.

During FYs 1997 - 2002, the average number of grants per year was 162. At that time, and for many years previously, the staffing for the grants program was appropriated at 6.0 FTE with 1.0 Program Administrator and 5.0 staff to process contracts and payments and monitor awarded projects. For FYs 2003 - 2007, the average number of grants per year increased to 309 - almost double the workload. However, the staffing for the program was not increased. The changes recommended by the auditors require staffing to the earlier staff/grants ratio. The audit indicates that this would allow the program to increase monitoring and oversight while improving the accuracy and timeliness of contract and payment processing. From a historical perspective, it seems appropriate that current funding from the Severance and Mineral Impact Funds could continue to be used in the future.

Disaster Emergency Fund

**17. Joint Budget Committee staff is recommending that the FY 2008-09 Long Bill either include a rounded dollar amount for the "Disaster Response and Recovery" line item (e.g., \$5,000,000), or exclude the line item altogether. Does the Department support either of these changes? Why or why not?**

Either of these solutions would be acceptable. If the line item is eliminated, it would reduce the occurrence of excess appropriated spending authority. The Department would commit to

providing information on the federal and state funds expended for any disasters and emergencies in the prior state fiscal year as part of the budget submission each year.

- 18. Joint Budget Committee staff is recommending that the Committee consider including a footnote in the FY 2008-09 Long Bill requesting that the executive branch provide information to the Joint Budget Committee annually detailing transfers to and expenditures from the Disaster Emergency Fund. Please work with the Governor's Office and advise the Committee on the most appropriate and efficient way to collect this information (i.e., which agency is in the best position to provide the information, and what level of detail could be provided annually?).**

At this time, all funds that are expended from the Disaster Emergency Fund are expended through the Department of Local Affairs, even if they are subsequently transferred to another state agency. Also, all federal funds paid to the state for any federally declared disaster are paid through the Department of Local Affairs. Therefore, the Department would be able to provide reports on the transfers and expenditures from the Disaster Emergency Fund plus information on all federal funds spent for each occurrence.

- 19. Please detail changes in federal funds anticipated to be available to the Department in FY 2008-09, by funding source or grant.**

At this time, based on the information in the November 1<sup>st</sup> Budget Request, the following are the major federal funding changes anticipated for FY 2008-2009.

Ongoing Federal Grants:

HUD:	Anticipated increase of \$425,855
CDBG:	Anticipated increase of \$518,221
CSBG:	Anticipated increase of \$21,296
FEMA:	Anticipated decrease of \$3,750,000 - Nationally Competitive - Estimating less funding available in FY08-09
Homeland Security:	Anticipated decrease of \$1,696,021

One-time receipt of Federal Grants in FY07-08:

Pub Safety Interop Comm – PSIC: \$14,336,638

The Department will be able to provide more updated estimates of federal grant funding by late January and would be happy to forward that data to the Committee and staff at that time.